

# **Washington State Auditor's Office**

## **Audit Report**

### **Audit Services**

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Report No. 57910

#### **TOWN OF WOODWAY**

Snohomish County, Washington

January 1, 1995 Through December 31, 1995

Issue Date: December 20, 1996

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**TOWN OF WOODWAY**  
**Snohomish County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Compliance With State  
Laws And Regulations**

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Mayor and Council Members  
Town of Woodway  
Woodway, Washington

We have audited the financial statements, as listed in the table of contents, of the Town of Woodway, Snohomish County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated October 11, 1996.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the town complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the town's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the town and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the town complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. However, we noted instances of noncompliance of regulatory requirements immaterial to the financial statements which are identified in the Schedule of Findings accompanying this report. With respect to items not tested, nothing came to our attention that caused us to believe that the town had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the mayor and council members and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

October 11, 1996

**TOWN OF WOODWAY**  
**Snohomish County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Schedule Of Findings**

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1. The Town Officials Should Comply With Statutory Bid Law Requirements And Their Own Policy

In April 1995, the public works department purchased a truck for \$21,160. Town officials did not formally bid the purchase of equipment, as required by RCW 35.23.352 and Resolution No. 147.

Noncharter code cities are governed by RCW 35A.40.200 for general laws relating to public work and contracts. RCW 35A.40.200 refers to RCW 35.23.352, for the purchase of equipment.

The purchase of the truck is subject to the formal bid procedures in RCW 35.23.352 which states in part:

(6) Any purchase of supplies, material, equipment . . . where the cost thereof exceeds seven thousand five hundred dollars shall be made upon a call for bids . . . .

Furthermore, Resolution No. 147 states in part:

3. Procurements over \$15,000 shall be advertised and be submitted by sealed written bids in response to written specifications prepared by the Town.

Without calling for competitive bids the town cannot be assured that it received the best possible price on the equipment. The town officials believed that they could just receive three phone quotes and that this would suffice with meeting the requirements.

We recommend the town officials follow proper bid procedures as required by state statute and their resolution.

Auditee's Response

*The public works department truck, purchased in 1995, was not formally advertised for bids, as required by RCW 35.23.352. Written bids were received from dealers and a Bid Summary presented to Council for decision.*

*The Town Officials will, in the future, adhere to the state statute requirements and the Town's resolution establishing a competitive bid process for the procurement of materials, equipment or supplies.*

2. Delinquent Local Improvement District (LID) Assessments Should Be Foreclosed

The town has two LID assessments, LID 90-1 and METRO. There were six delinquent LID 90-1 accounts and there were five delinquent METRO accounts. Of the eleven delinquent accounts, six of the accounts are at least two years delinquent as of December 31, 1995. The town officials have not started foreclosure procedures on any of the delinquent accounts.

RCW 35.50.030 states in part:

If on the first day of January in any year, two installments of any local improvement assessment are delinquent or if the final installment thereof has been delinquent for more than one year, the city or town shall proceed with the foreclosure of the delinquent assessment or delinquent installments thereof by proceedings brought in its own name in the superior court of the county in which the city or town is situate.

Foreclosure procedures should be followed in accordance with statute to assure timely collections and to properly service the LID obligations.

Town officials were not aware of their duty to foreclose on properties where there are delinquent LID assessments of over two years.

We recommend town officials proceed promptly with the delinquent LID foreclosures. We further recommend that someone outside of the billing and receipting process review the accounts to ensure foreclosure procedures are done on all delinquent accounts.

Auditee's Response

*Foreclosure procedures on any accounts that are two installments delinquent will begin before the end of the year. As required by RCW 35.50.030, each January, the Town shall proceed with the foreclosure of the delinquent assessment or delinquent installments to assure timely collections and properly service the LID obligations.*

*The Mayor will review the accounts to ensure foreclosure procedures are done on all delinquent accounts.*

3. The Town Officials Should Pay The Principal And Interest Payments In Accordance With The Debt Service Schedule

Currently, the town is one year behind on their bond payments. During May 1995, the town clerk did not make their first bond principal payment of \$27,073 in accordance with the debt service schedule. The 1995 bond principal payment was made in May 1996. The town has been collecting LID assessments since 1993 and had \$115,636 available to make the debt payment in 1995.

The town's Ordinance No. 283 states in part:

The bonds shall bear interest at the following rates, payable annually beginning May 1, 1994, until their maturity on earlier redemption:

May 1995	\$27,073
May 1996	\$25,000
May 1997	\$25,000 . . . .

When the bond payments are not made in accordance with the debt schedule the underwriters and the bondholders may be affected.

The bond principal payment was inadvertently missed by the town clerk.

We recommend that the town officials make their bond payments in accordance with the debt schedule. Specifically, we recommend that the 1996 and 1997 principal payment be made in May 1997.

Auditee's Response

*In the future, bond payments will be made in accordance with the debt schedule. The 1997 Preliminary Budget Appropriations note the payments to be made.*

Auditor's Concluding Remarks

We appreciate the officials' commitments to resolve the issues noted in our findings. Based on the responses, the recommendations are being addressed and we will review these areas in our next audit of the town.